Health Reform: An Overview

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Introduction

• Expanded coverage and reform
  • Insurance and subsidies through Exchanges
  • Medicaid expansion
  • CHIP funding (Children’s Health Insurance Program)
  • Insurance reform and benefit requirements

• Cost offsets
  • Revenues
  • Savings from Medicare, Medicaid and other programs
Initial Expansions

- Temporary programs to “expand/fund” access
  - High risk pools
  - Retiree reinsurance
  - State option to expand Medicaid
  - Tax credit for certain small businesses for premiums
Initial Reforms

- Extend existing dependent coverage for children under age 26
- No preexisting condition exclusions for children under age 19
- No rescissions (except for fraud)
- No lifetime limits and only restricted annual limits
- No cost-sharing for preventive services
- Establish appeals process for coverage and benefit denials
- Medical Loss Ratios (MLRs)-- limit ratio of premiums for administrative costs relative to medical costs
Beginning in 2014
PPACA ‘Full implementation’ (2014) paradigm

**Individual mandate** (& employer requirements)

**Subsidies** (exchange credits and Medicaid expansion)

**Private insurance market reforms** (e.g., no preexisting condition exclusions)
2014 Expansions & Market Reforms

- Medicaid expansion
- Individual mandate
- Employer requirements
- Insurance reforms
- Exchanges
  - Premium and cost-sharing subsidies
Medicaid/CHIP Enrollment

(in millions)

Source: Congressional Budget Office (CBO)
Individual Mandate
Individual Mandate

Most individuals must maintain minimum essential coverage for themselves and their dependents or pay a penalty.
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Except those meeting any of the following criteria

- Required contribution for self-only coverage exceeds 8% of household income
- Household income less than personal exemption amount for the tax year
- Has a qualifying religious exemption or is part of a health care sharing ministry
- Not lawfully present in the U.S.
- Incarcerated
- Member of an Indian tribe
- Resides outside of the U.S.
- Resident of any possession of the U.S.
- No coverage for less than 3 months (only 1 “gap” per year)
- Anyone the HHS Secretary determines to have suffered a hardship
Most individuals must maintain minimum essential coverage for themselves and their dependents or pay a penalty.

- Government sponsored programs (e.g., Medicare Part A, Medicaid, CHIP…)
- Employer-Sponsored Plans
- Plans in the individual market
- Grandfathered health plans
- Other health benefits coverage recognized by HHS Secretary in coordination with the Treasury Secretary

Minimum essential coverage does not include health insurance coverage consisting of excepted benefits, such as dental-only coverage.
Most individuals must maintain minimum essential coverage for themselves and their dependents or pay a penalty.

Penalty is the greater of either

- % of household income exceeding the personal exemption for the tax year
  - 1.0% in 2014, 2.0% in 2015, and 2.5% thereafter
- Flat dollar amount
  - $95 in 2014, $325 in 2015, and $695 in 2016 (inflation-adjusted thereafter)
  - assessed for a taxpayer and any dependents, up to the family cap of 300%
  - ½ flat dollar amount for dependent under 18

Penalty limited to the national average premium for bronze-level qualified health plans offered through exchanges (for relevant family size)
A bit more about the penalty ...

**How do you pay the penalty?**
- Pay penalty for yourself (and dependents) in tax return

**What happens if you don’t pay the penalty?**
- Notice from IRS that you owe the penalty
- IRS can reduce the amount of the tax refund in the future
- No criminal prosecution or penalty
- Secretary cannot file notice of lien or file a levy on any property
Employer Requirements
Employer Requirements

Only large employers who have at least one full-time worker receiving a premium credit through an exchange plan can be subject to a penalty, whether or not they provide health insurance.
Only large employers who have at least one full-time worker receiving a premium credit through an exchange plan can be subject to a penalty, whether or not they provide health insurance.

- Large employers have an average of at least 50 full-time equivalent employees during the preceding calendar year
  - Full-time employees include those working 30 or more hours per week
  - Excludes those full-time seasonal employees who work for less than 120 days during the year
  - Part-time workers’ hours prorated by dividing total monthly hours worked by 120
Only large employers who have at least one full-time worker receiving a premium credit through an exchange plan can be subject to a penalty, whether or not they provide health insurance.

If employer doesn’t offer coverage, employee may get credit if

- Not eligible for Medicaid or other programs
- Generally has income between 138% and 400% of the federal poverty level (FPL)

If employer offers coverage, in addition to the criteria above, employee may get credit if

- Not enrolled in employer’s coverage
- Employer’s coverage meets either criteria
  - the individual’s required contribution toward the plan premium for self-only coverage exceeds 9.5% of their household income
  - or the plan pays for less than 60%, on average, of covered health care expenses
Only large employers who have at least one full-time worker receiving a premium credit through an exchange plan can be subject to a penalty, whether or not they provide health insurance.

**Potential penalty for employer not offering coverage**
- In 2014 monthly penalty
  - $\frac{1}{12} \times 2,000 \times (\text{number of full-time employees} - 30)$

**Potential penalty for employer offering coverage**
- In 2014, the monthly penalty is lesser of
  - $\frac{1}{12} \times 3,000 \times (\text{number of full-time employees receiving premium credit})$
  - $\frac{1}{12} \times 2,000 \times (\text{number of full-time employees} - 30)$

After 2014, the penalty indexed by a premium adjustment percentage
Will the Employer Pay A Penalty? 
*beginning in 2014*

Are you a large employer? 
at least 50 full-time equivalent workers 
- including full-time [30+hours per week] and part-time workers [prorated] 
- excluding seasonal workers [up to 120 days per year]

Are any of your full-time employees in an exchange plan and receiving a premium credit ?

Do you have more than 30 full-time employees?

Do you provide health insurance?

Pay Monthly Penalty, *lesser of:* 
\[
\frac{1}{12} \times 2,000 \times \text{(Number of full-time employees - 30)} 
\]

Pay Monthly Penalty
\[
\frac{1}{12} \times 3,000 \times \text{(Number of full-time employees who receive credits for exchange coverage)} 
\]

No penalty
Additional Insurance Reforms in 2014

- No annual limits
- No preexisting condition exclusions, regardless of age
- Guaranteed issue and renewal
- No premium adjustments allowed for health status
  - Premiums can only vary by limited amounts based on --
    - Age
    - Family size
    - Geographic area
    - Tobacco use
- Minimum essential benefits requirements
PPACA Exchanges and Subsidies
Exchanges

- Establish exchanges in each state
  - Can be a government agency or a nonprofit organization
  - HHS Secretary will set up an exchange in states that either do not establish their own or that fail to meet requirements
- Permit purchase of Qualified Health Plans (QHPs) by individuals and ‘small employers’
- Certify plans as QHPs, if plan meets all requirements
- Premium credits and cost-sharing subsidies can only be offered through exchange
‘Qualified Individual’

- Seeks to enroll in a QHP thru an exchange, not thru an employer
- Resides in that exchange’s state
- Not incarcerated, except pending disposition of charges
- Lawfully present
- Unless eligible for premium tax credit (or free choice voucher), you pay 100% of the premium
- Plus, “Members of Congress and Congressional staff ... employed by the official office of a Member ... ”
PPACA Exchanges: Who Is Eligible

‘Qualified Employers’

- ‘Small’ employers
  - Before 2016, states choose: up to 50 or 100 employees
  - 2016: up to 100
  - Beginning in 2017 states may extend to large employers

- Must make all full-time employees (30+ hours) eligible for exchange coverage

- “may provide support for coverage of employees under [an exchange plan] by selecting any level of coverage” (e.g., bronze or silver)
Maximum out-of-pocket premium (as a % of income for those eligible for premium credits)

After individual pays maximum out-of-pocket premium, premium credit covers the rest for 2nd-lowest cost silver exchange plan.
For those eligible for premium credits, maximum out-of-pocket premium

$ if available today, though not available until 2014

<table>
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<th>FPL</th>
<th>Max % income</th>
<th>Family of 1</th>
<th>Family of 4</th>
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<tbody>
<tr>
<td>100% or less</td>
<td>2%</td>
<td>$217</td>
<td>$441</td>
</tr>
<tr>
<td>133.00%</td>
<td>2%</td>
<td>$288</td>
<td>$587</td>
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<tr>
<td>133.01%</td>
<td>3%</td>
<td>$487</td>
<td>$992</td>
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<tr>
<td>200%</td>
<td>6.3%</td>
<td>$1,365</td>
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<tr>
<td>300%</td>
<td>9.5%</td>
<td>$3,087</td>
<td>$6,284</td>
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<tr>
<td>399.99%</td>
<td>9.5%</td>
<td>$4,115</td>
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</tbody>
</table>

Premium credit covers the rest for 2nd-lowest cost silver exchange plan:

*CBO says, $5,200 & $14,100 in 2016*
Other important stuff

- If a state mandates benefits beyond those federally required, the state must pay exchange enrollees/plans for those additional costs

- Individuals receiving premium credits in a silver plan will also be eligible for cost-sharing subsidies to reduce deductibles, copays, etc.

- $ for premium credits and cost-sharing reductions go directly to insurers

- If exchange finds individual is credit-eligible, IRS and employer are notified
Facts and Figures
2019 Projected Exchange Enrollment (29 million)

- Individuals w/credits (ESI not ‘affordable’)
  - 1 million, 3%
- Individuals w/credits (regular eligibility)
  - 18 million, 63%
- Individuals (no subsidies)
  - 5 million, 17%
- Small employers
  - 5 million, 17%

Source: CBO -- Among nonelderly (under age 65). ‘Exchanges’ include 5M counted as ‘employer’ rather than exchange coverage. CBO did not publish an estimate of the number of people obtaining credits due to employer-sponsored insurance (ESI) not providing ‘minimum value,’ but that number is probably small.
$143 Billion Reduction to the Deficit (FY2010 through FY2019)

- Medicaid
- CHIP
- Private Insurance

Cost of Coverage Expansions ($788 billion)

Revenues
$420

Direct Spending Reductions
$511

Changes in Direct Spending and Revenues ($931 billion)

Source: CBO
Projected 2019 Health Insurance Coverage

**Baseline: Without PPACA**

- **Employer**: 58%
- **Medicaid CHIP**: 12%
- **Uninsured**: 19%
- **Other**: 11%

**With PPACA**

- **Employer**: 55%
- **Medicaid CHIP**: 18%
- **Exchange**: 10%
- **Uninsured**: 8%
- **Other**: 9%

Source: CBO -- Among nonelderly (under age 65). ‘Exchanges’ include 2% (5M) counted as ‘Employer.’ If excluding unauthorized immigrants, uninsured projection for PPACA would be 6%.
A Sample of our CRS Reports on PPACA PHI

• R41158: Small business tax credit
• R41159: Potential employer penalties (2014)
• R41137: Premium credits (2014)
• R40942: PPACA private health insurance provisions

www.crs.gov → Health → Health Care Reform